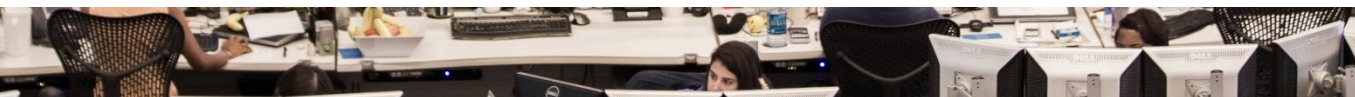




BP Energy Company

Will Shappley – July 21st, 2016



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A Leading International Oil and Gas Company



Source: BP Annual Report 2015

Our marketing and trading team optimizes & trades around our extensive global asset base.



70+

Countries of operation



~80,000

Employees



\$19.1 billion

Operating Cash Flow*



3.3

Million barrels of oil equivalent a day



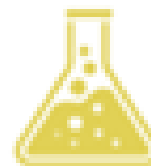
17,180

Million barrels of oil equivalent net proved reserves (estimated)



7,146

Million cubic feet of total gas production per day



14.8

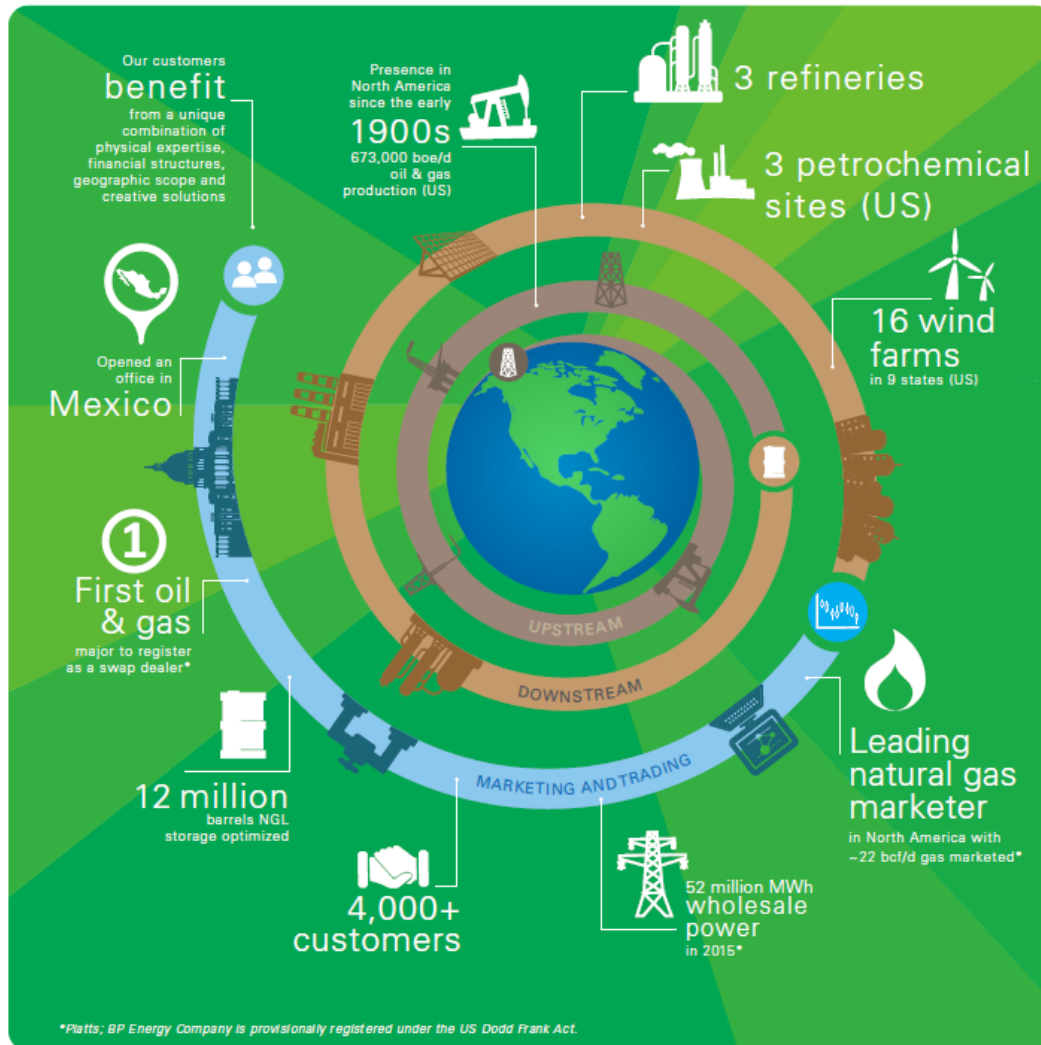
Million tons of annual petrochemicals production



13

Refineries

Energy marketing & trading



We are the customer facing business of a global, integrated oil and gas company that spans the energy value chain.

Our customers benefit from a unique combination of physical expertise, financial structures, geographic scope and creative solutions.

We Offer Flexible, Proven Consumers Services

Natural gas is the backbone of our business

We've been the leading natural gas marketer since 2002, as reported by Platts, with a marketed volume of approximately 22 bcf/d.

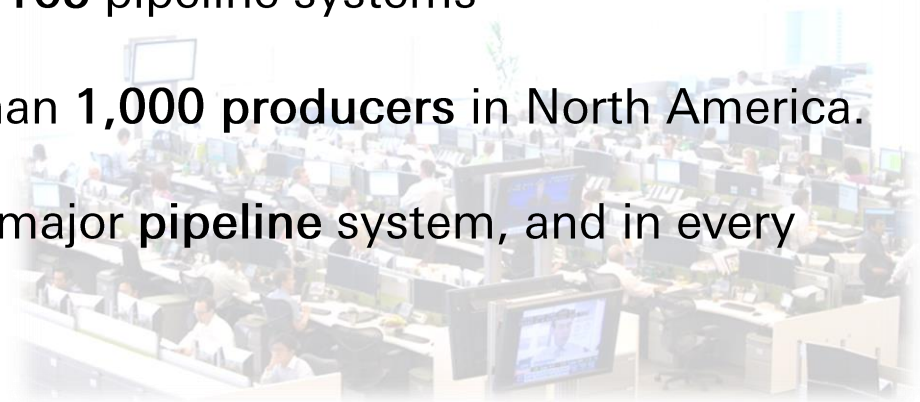
More than 3,000 wholesale customers depend on us for reliable delivery every day.

We met our customers' needs during the 2014 Polar Vortex.

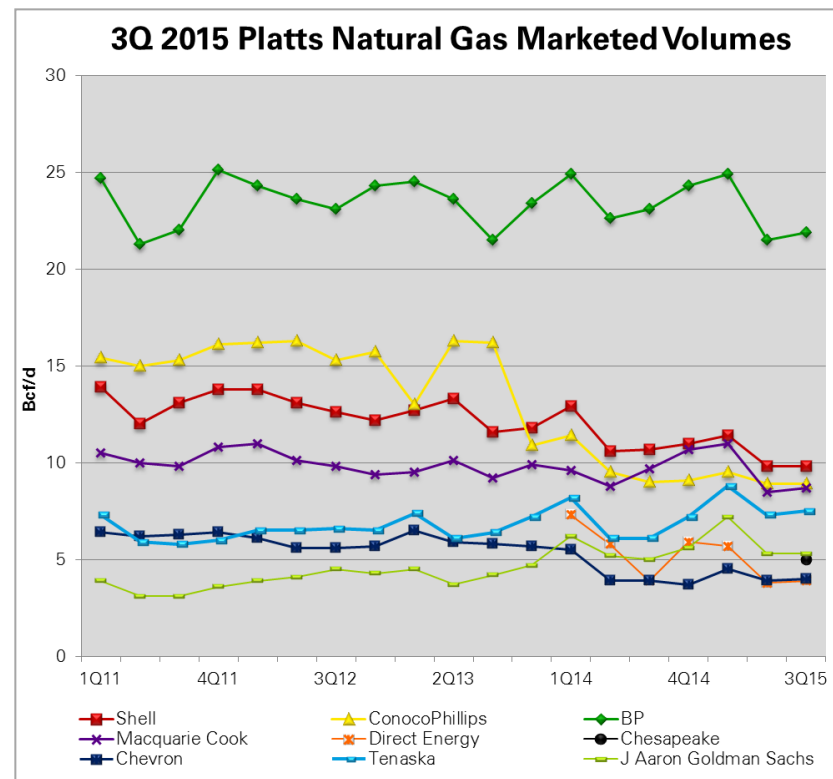
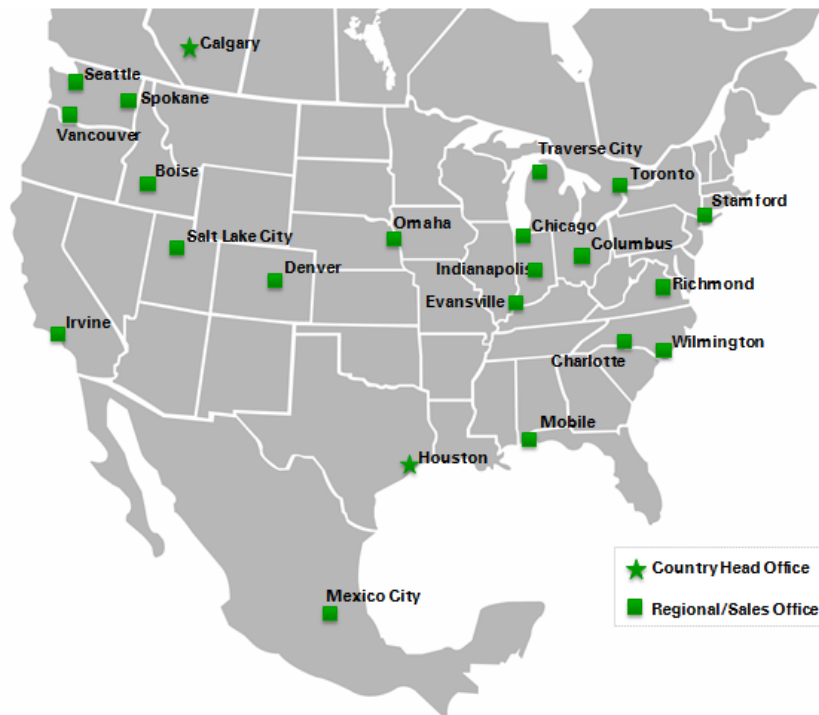
We hold more than 10 bcf/d of transport capacity, are entrusted with 62 AMAs, and schedule on more than **165** pipeline systems

We have relationships with more than **1,000** producers in North America.

We're active on every **basin**, every major **pipeline** system, and in every major **market**.



The Leading North American Gas Marketer



A full suite of **physical and financial** services from basin to burner tip.

Gas buyer/marketer in every major basin, shipper on every corridor, and active in every major market.



Risk Management: Innovation at Work

We've grown from a leading physical energy marketer to a recognized industry expert in risk management.

We apply our expertise to help design risk management solutions that fit our customers' objectives.

We deliver market-leading hedging products and services.



With over 15 years of risk management experience, we consistently receive top rankings from Energy Risk.

In 2013, we became the first integrated oil and gas major to register as swap dealer.*

2016 Energy Risk Commodities Rankings

Category	Ranking
Natural Gas North America, Henry Hub Dealer	1
Eastern US & Canada Nat Gas Dealer	1
Western US & Canada Nat Gas Dealer	1
Nat Gas Liquids	1
Power North America Dealer	2
Market Info: North American Natural Gas	3
Market Info: North American Power	4
Crude North America Dealer	5

*BP Energy Company is provisionally registered under the US Dodd Frank Act



Regulatory Context:

Regulatory focus has increased significantly

Basel III (Worldwide)

- Imposes a variety of **requirements on banks** including: Maximum leverage ratio, minimum target capital, minimum liquidity ratio, credit-valuation adjustments

Dodd-Frank & Volcker Rule (US)

- Increased **regulation of over-the-counter derivatives** through: Central clearing and reporting, Capital and margin requirements, Reporting to central trade repository, Daily mark-to-market/collateral needs, Trading on organized trading venues, Position limits
- **Limits the trading activities of banks** through: ban of proprietary trading (financial and physical) and potential limits to banks' ownership/control of physical trading assets
- **In Canada, similar rules regarding clearing and reporting** are also being developed with the added complexity of implementation managed by different provinces.

EMIR / MiFID II (EU)

- EMIR requirements include **central clearing** and **reporting**, implementing new risk management standards, including operational processes and margining
- MiFID II will introduce further position limits and position reporting requirements (2017)

Monetary Authority of Singapore – MAS (Singapore)

- The Monetary Authority of Singapore (MAS) is reforming regulation of OTC derivatives.
- Reporting of OTC derivatives trades phased in by asset class.

Impact on Banks

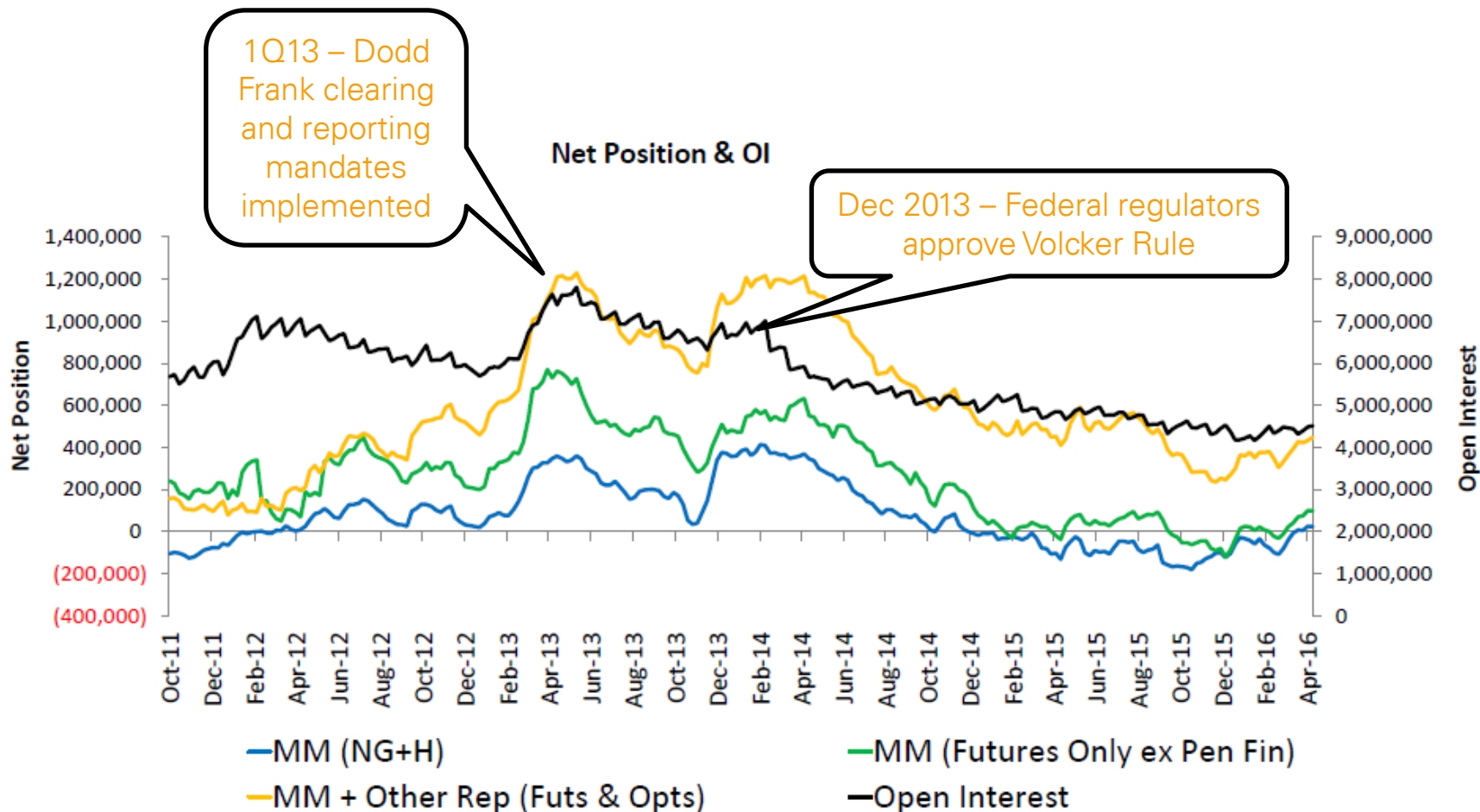
- Increasing **complexity & cost intensity** of trading operating model
- Increased **working-capital needs** (clearing fees, margin, collateral)
- **Compliance upgrades** (tracking trading thresholds, position limits, etc.)
- **Banks to exit/spin off commodity-trading units, potentially sell physical assets**
- **Less availability of letters of credits**, especially for higher-risk counterparties. Higher costs across all trade-finance products
- **Limited access to financing** as banks lower trade-finance exposure
- **Less market making**, less hedging tools (further rising trade-finance costs)

Impact on Other Commodity Traders

- **Some regulations only apply to banks and therefore do not impact commodity traders.**
- More able to manage **under threshold limits** or **gain exemptions** for certain activities than banks
- Still requires investment in **compliance processes and expertise** if traders wish to be significant players.
- **Future regulations** are likely to reduce thresholds and exemptions available.

Source: McKinsey, risk.net

Regulatory Context Part II:



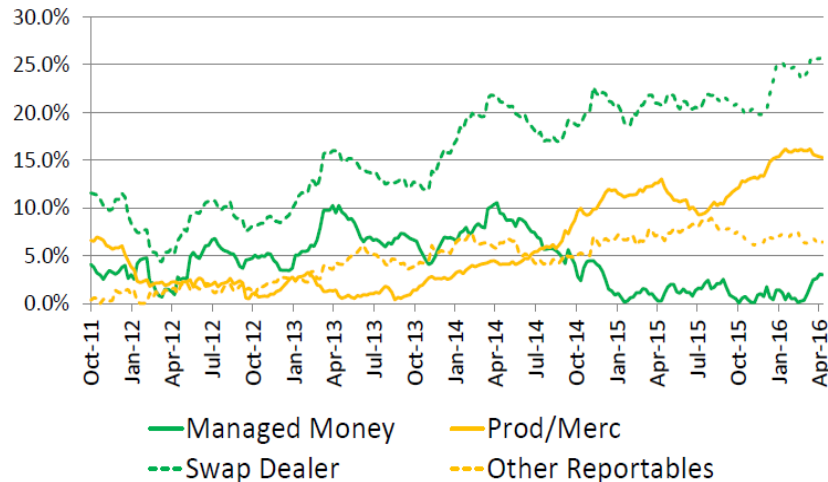
Source: CME



Regulatory Context Part III: Snapshot of liquidity

- Liquidity in the deferred months has decreased
- Wide bid/ask spreads and decreased open interest are reflective of decreased liquidity

Net Position % of OI (Futures Only)



Contract Date	Last	Bid	Bid Size	Ask	Ask Size	Trade Time	Open Interest
Jun-16	2.163	2.162	27	2.163	36	10:33 AM	196981
Jul-16	2.290	2.290	35	2.291	8	10:33 AM	233087
Aug-16	2.365	2.365	36	2.367	37	10:33 AM	62794
Sep-16	2.402	2.399	36	2.401	24	10:32 AM	108466
Oct-16	2.471	2.470	36	2.472	18	10:32 AM	111607
Nov-16	2.682	2.680	14	2.682	11	10:26 AM	43872
Dec-16	2.971	2.966	28	2.970	6	10:31 AM	46761
Jan-17	3.099	3.096	3	3.100	18	10:32 AM	77087
Feb-17	3.091	3.086	4	3.091	3	10:31 AM	19164
Mar-17	3.036	3.035	2	3.040	3	10:33 AM	43598
Apr-17	2.846	2.840	2	2.846	6	10:29 AM	46525
May-17	2.828	2.824	3	2.831	4	10:31 AM	14107
Jun-17	2.861	2.853	3	2.860	1	10:20 AM	6958
Jul-17	2.896	2.890	2	2.896	1	10:28 AM	6978
Aug-17		2.898	1	2.906	1		4845
Sep-17	2.899	2.894	1	2.903	1	10:08 AM	2904
Oct-17	2.929	2.924	2	2.931	2	10:10 AM	8522
Nov-17	2.995	2.991	2	3.002	1	9:36 AM	3939
Dec-17	3.136	3.127	1	3.140	1	10:15 AM	6009
Jan-18	3.238	3.236	1	3.248	1	8:32 AM	6230
Feb-18		3.196	1	3.230	1		1521
Mar-18		3.138	1	3.168	1		2863
Apr-18		2.813	1	2.858	1		3844
May-18		2.805	1	2.862	1		902
Jun-18		2.831	9	2.869	1		988
Jul-18							1084
Aug-18							842
Sep-18							769
Oct-18							1011
Nov-18							744
Dec-18		3.089	1	3.120	1		2113
Jan-19							686
Feb-19							317
Mar-19		3.033	2	0.000	0		347
Apr-19							354
May-19							263
Jun-19							255
Jul-19							304
Aug-19							368
Sep-19							245
Oct-19							232
Nov-19							155
Dec-19							296

Source: CME



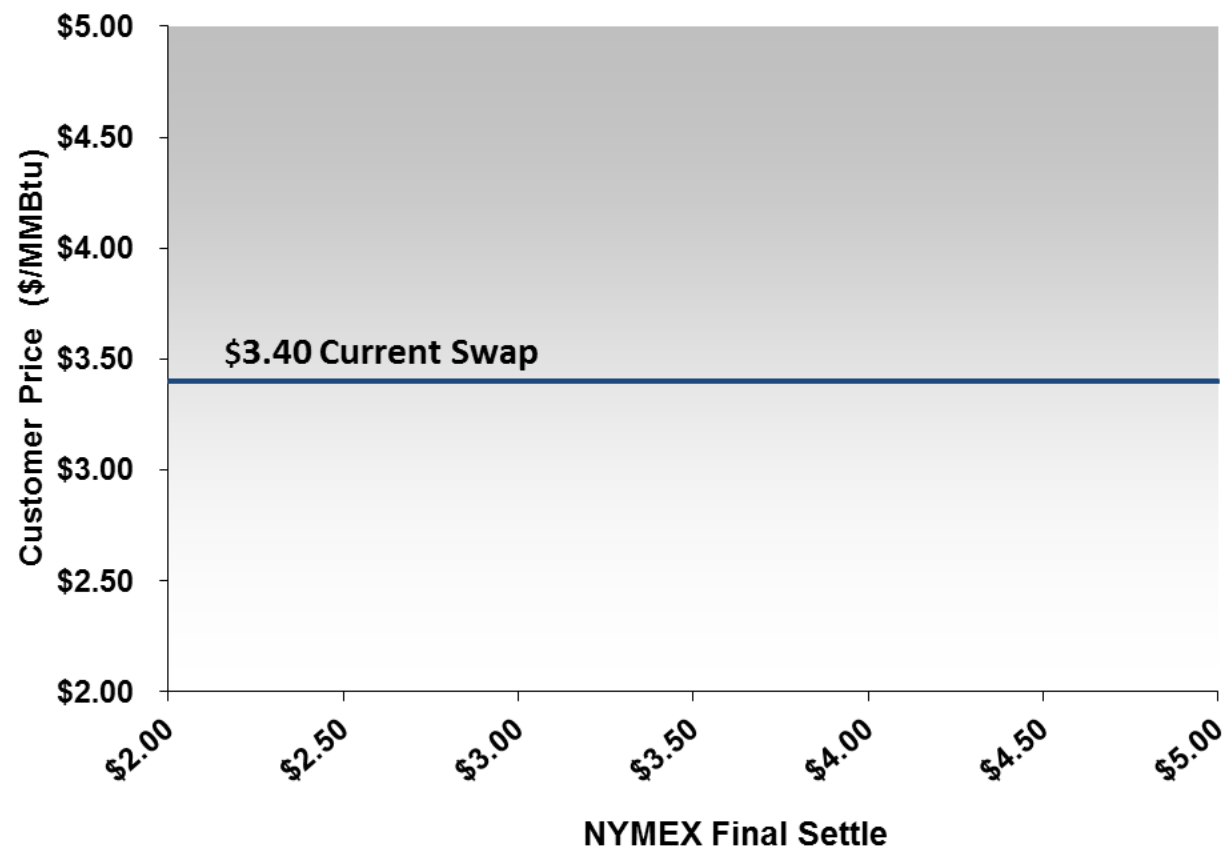
Fixed Price Swap

Description

- Customer locks in a fixed price.

Details

- NYMEX NG
- Cal17-Cal26
- 2,500MMBtu/d
- Price: \$3.40



Examples

- Customer Commodity Price is \$3.40



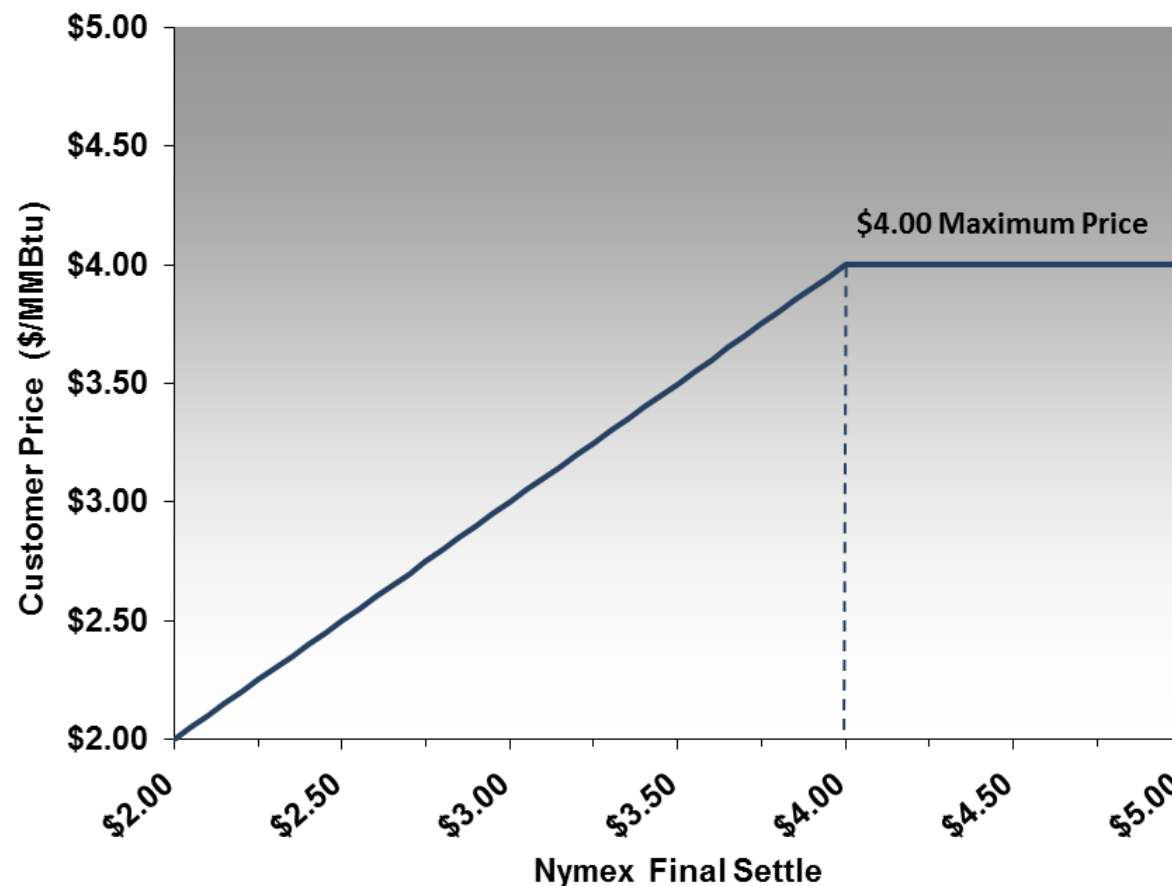
Consumer Cap

Description

- Customer pays market price, with maximum price not to exceed \$4.00.

Details

- NYMEX NG
- Cal17-Cal26
- 2,500MMBtu/d
- Option Premium: \$.47
- Current Swap: \$3.40



Examples

- If NYMEX Final Settle posts \$4.50, customer commodity price is \$4.00
- If NYMEX Final Settle posts \$3.00, customer commodity price is \$3.00

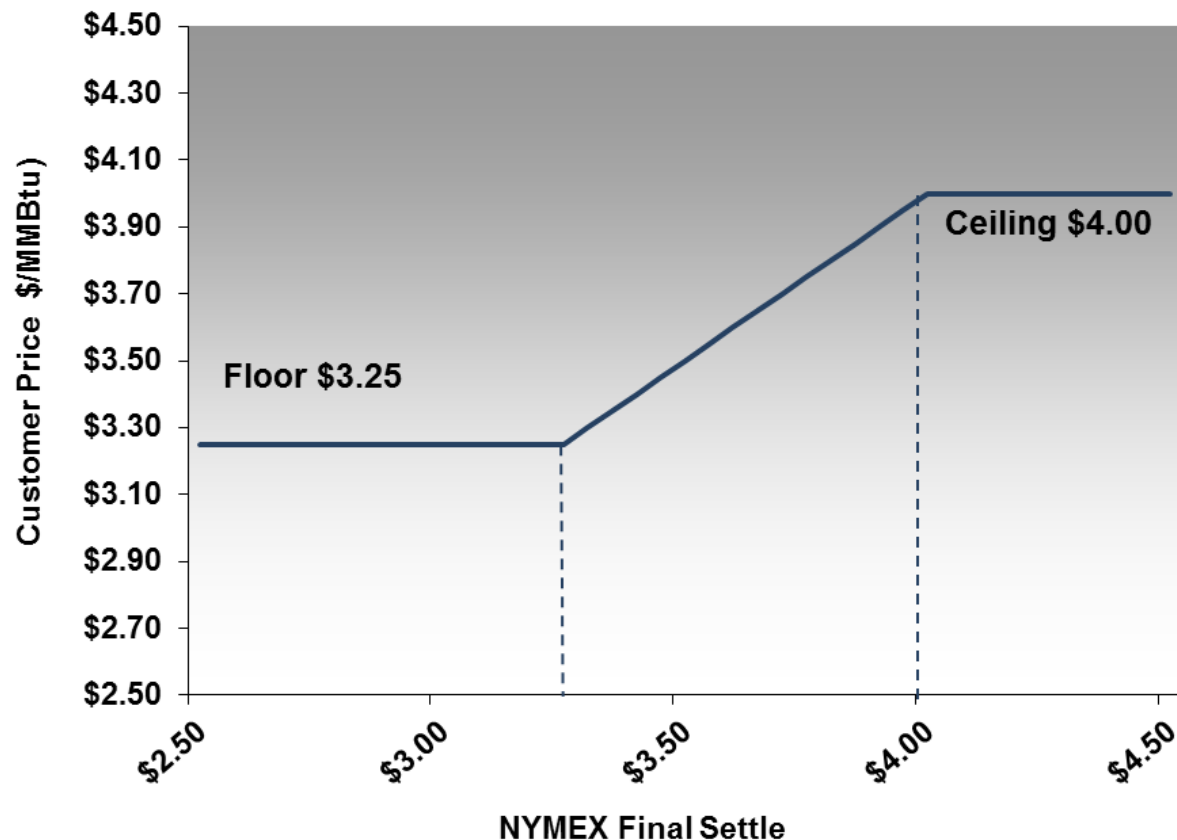
Consumer Costless Collar

Description

- Customer receives a cap on monthly price in exchange for accepting a floor on monthly price

Details

- NYMEX NG
- Cal17-Cal26
- 2,500MMBtu/d
- $\$3.25 < \text{NYMEX} < \4.00
- Current Swap: \$3.40



Examples

- If NYMEX Final Settle posts \$2.00, customer commodity price is \$3.25
- If NYMEX Final Settle posts between \$3.25 and \$4.00, customer commodity price is NYMEX
- If NYMEX Final Settle posts \$4.50, customer commodity price is \$4.00

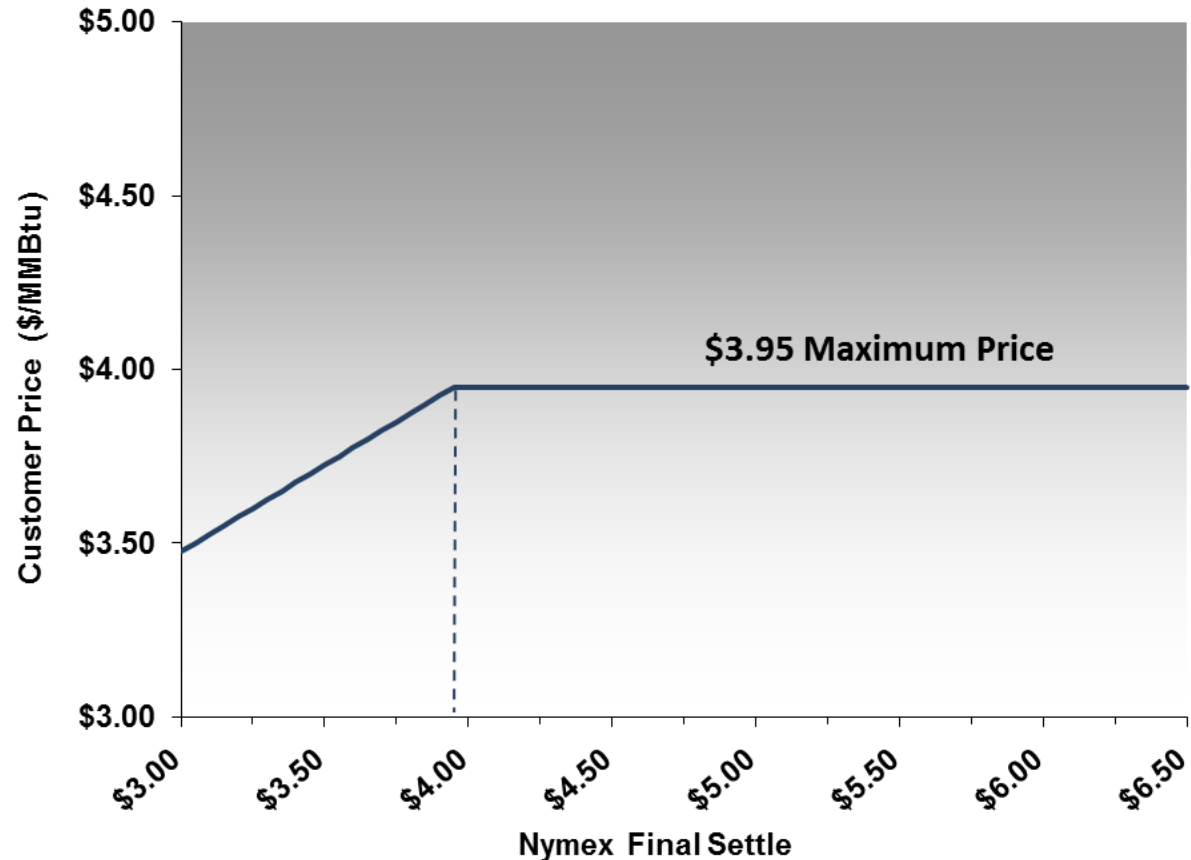
Participating Swap

Description

- Customer pays a fixed price, but if NYMEX Final Settle posts below the fixed price, customer participates in 50% of the difference between the initial fixed price and NYMEX settle

Details

- NYMEX NG
- Cal17-Cal26
- 2,500 MMBtu/d
- Price: \$3.95 with 50% downside participation
- Current Swap: \$3.40



Examples

- If NYMEX Final Settle posts \$4.50, customer commodity price is \$3.95
- If NYMEX Final Settle posts \$2.00, customer pays \$2.975 [$\$2.00 \times 50\% + \$3.95 \times 50\%$]

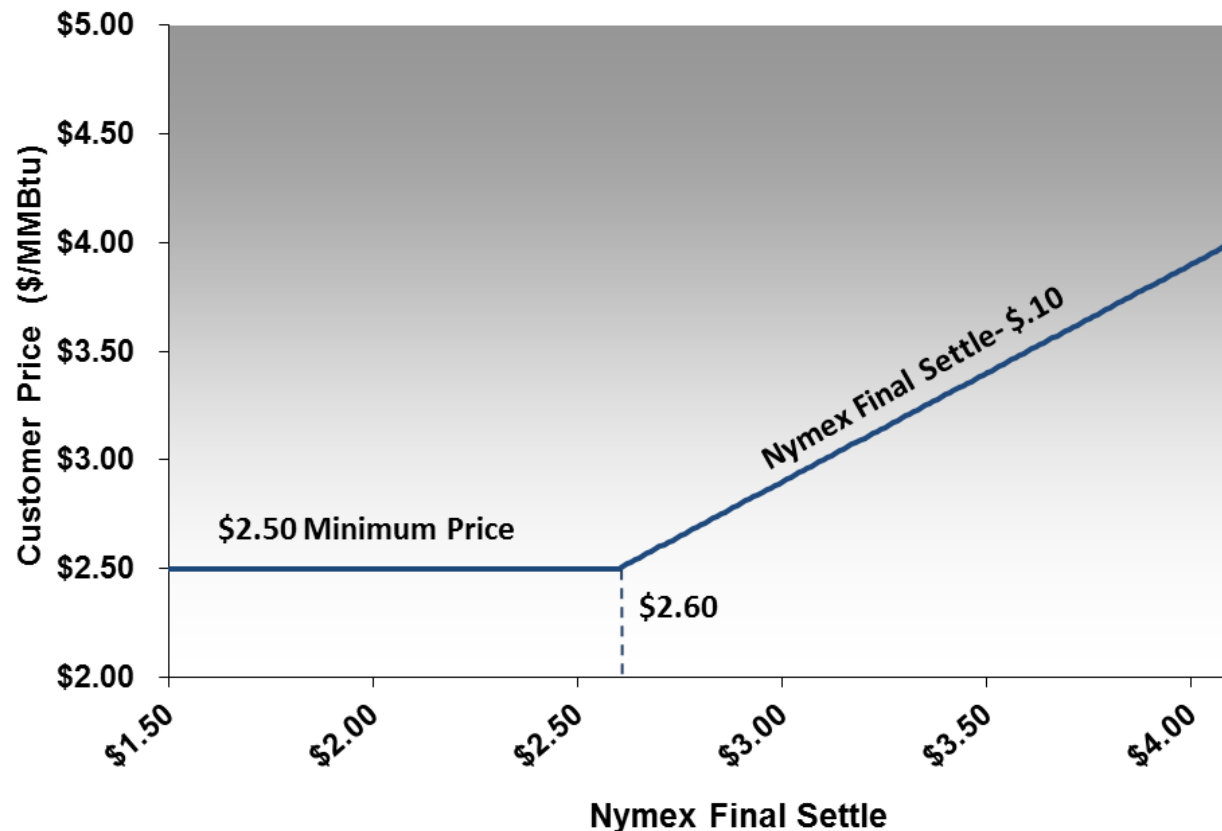
Index Minus With Floor

Description

- Customer receives a discounted fixed price to NYMEX in exchange for a set price floor.

Details

- NYMEX NG
- Cal17-Cal26
- Price: NYMEX - 0.10 with a \$2.50 minimum price
- Current Swap: \$3.40



Examples:

- If NYMEX Final Settle posts \$4.00 customer commodity price is \$3.90
- If NYMEX Final Settle posts \$2.00, customer commodity price is \$2.50

Contact Us



Photo: BP Houston Trade Floor

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